

Message Text

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PAGE 01 TOKYO 01716 060928Z

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ACTION TRSE-00

INFO OCT-01 EA-11 ISO-00 AID-20 CEA-02 CIAE-00 COME-00

EB-11 EUR-25 FRB-02 INR-10 IO-14 NEA-11 NSAE-00

RSC-01 OPIC-12 SPC-03 CIEP-02 LAB-06 SIL-01 OMB-01

JUSE-00 FTC-01 DRC-01 TAR-02 /137 W

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R 060910Z FEB 74

FM AMEMBASSY TOKYO

TO SECSTATE WASHDC 9826

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DEPT PASS ALL OECD CAPITALS

E.O. 11652: N/A

TAGS: EFIN, OECD

SUBJ: INWARD FOREIGN DIRECT INVESTMENT RESTRICTIONS (OECD
REVIEW OF)

REF: STATE 020051

1. SUMMARY: EMBASSY DOES NOT NOW HAVE SPECIFIC CASE ON DIFFI-
CULTIES ENCOUNTERED BY U.S. INVESTORS IN JAPAN FOR USE IN
OECD REVIEW. HOWEVER, WE SUGGEST U.S. POSITION SHOULD BE
THAT WHILE CLIMATE FOR FOREIGN INVESTMENT HAS IMPROVED, IT
HAS NOT YET BEEN FULLY TESTED.

2. IN MAY 1973, GOJ ANNOUNCED A SCHEDULE OF CAPITAL LIBERALI-
ZATION FOR SEVENTEEN OF TWENTY-TWO INDUSTRIES THAT WERE AT
THAT TIME STILL UNDER RESTRICTIONS IN TERMS OF ACCESS BY
FOREIGN INVESTORS.

3. WHILE FIVE BASIC INDUSTRIES REMAINED UNDER RESTRICTION
AND SOME RESTRICTIONS REMAINED IN PORTFOLIO INVESTMENT BY
FOREIGNERS, THE MAY LIBERALIZATION MEASURES WERE CONSIDERED
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PAGE 02 TOKYO 01716 060928Z

A MAJOR STEP IN THE RIGHT DIRECTION.

4. AT EMBASSY URGING THE INVESTMENTS COMMITTEE OF THE AMERICAN CHAMBER OF COMMERCE IN JAPAN (ACCJ) LAST SEPTEMBER QUERIED ALL MEMBERS OF ACCJ ON PROBLEMS BEING ENCOUNTERED BY U.S. FIRMS IN INVESTING IN JAPAN. DEPITE TWO REMINDERS, NO U.S. FIRM HAS REPORTED ANY PROBLEM. ACCJ WITH OVER 1,000 MEMBERS REPRESENTS MAJORITY U.S. BUSINESS INTEREST IN JAPAN.

5. EMBASSY DOES NOT WISH CONVEY IMPRESSION TO OECD INVESTMENT COMMITTEE, HOWEVER, THAT JAPAN HAS DROPPED ALL BARRIERS TO INWARD FOREIGN DIRECT INVESTMENT. IN ADDITION TO FIVE INDUSTRIES YET TO BE LIBERALIZED, EMBASSY CONTINUES HEAR RUMORS THAT FOREIGN INVESTORS ARE ASKED TO AGREE TO VARIOUS RESTRICTIVE CONDITIONS BEFORE FORMAL APPLICATION FOR FOREIGN INVESTMENT IS SUBMITTED.

6. UP TO THE PRESENT TIME, EMBASSY HAS BEEN UNABLE VERIFY ANY SUCH RUMOR. HOWEVER, POTENTIAL INVESTORS ARE NORMALLY UNWILLING TO HAVE EMBASSY INTERVENE EXCEPT IN UNUSAL CIRCUMSTANCES.

7. OTHER FACTORS WHICH CONTRIBUTE TO PRESENT SCARCITY OF SPECIFIC PROBLEM CASES ARE ECONOMIC. GIVEN EFFECTS OF WAGE INCREASES, ENERGY CRISIS, CURRENCY REALIGNMENTS AND IMPORT LIBERALIZATION MEASURES, MANY COMPANIES ARE REASSESSING INVESTMENT PLANS SINCE EXPORTING FROM U.S. OFTEN MORE COMPETITIVE THAN LOCAL MANUFACTURE.

8. GIVEN THIS SET OF CIRCUMSTANCES, EMBASSY'S POSTURE ON THIS ISSUE HAS BEEN ONE OF MONITORING AND URGING POTENTIAL U.S. INVESTORS TO REPORT DIFFICULTIES TO US.
SHOESMITH

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